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**BALTIMORE CITY**  
**PARKING AUTHORITY, INC.**

**PERFORMANCE AUDIT**

**FOLLOW-UP REVIEW**

**MAY 2004**

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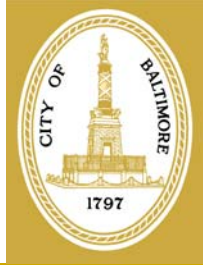


City of Baltimore  
Department of Audits

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CITY OF BALTIMORE

MARTIN O'MALLEY, Mayor



DEPARTMENT OF AUDITS

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May 4, 2004

Honorable Joan M. Pratt, Comptroller  
And Other Members of the Board of Estimates  
City of Baltimore

We previously conducted a performance audit of the procedures related to the revenues generated and the expenses incurred through the operation of City-owned garages that are managed by the Parking Authority of Baltimore City (PABC) and operated by private contractors, for the six-month period from September 1, 2001 through February 28, 2002. The purpose of our audit was to determine whether adequate internal controls and procedures were in place to ensure that: 1) parking garage revenue was properly collected, deposited and accounted for; and 2) payments to parking garage operators for the reimbursement of garage expenses were adequately supported, properly approved, and in compliance with contractual provisions. The results of our audit were presented in our performance audit report, Baltimore City Parking Authority, dated September 16, 2002.

The purpose of our follow-up review was to determine whether the PABC has adequately addressed the audit findings and related recommendations in our audit report. Our follow-up review disclosed that the PABC has made substantial progress in addressing our audit report issues. There were four findings in our report, two have been resolved and two will be resolved when the improvements at the remaining six of the fourteen garages are completed in December 2004.

This report includes a restatement of the audit findings and recommendations contained in our audit report and the results of our follow-up review. The Parking Authority of Baltimore City's response to our follow-up review is also included in this report.

Respectfully submitted,

Yovonda D. Brooks, CPA  
City Auditor

## **Results of Follow-up Review**

### **Finding #1**

**Parking revenue reported in the Daily Deposit Reports was not reconciled to revenue recorded in the City of Baltimore's accounting records.**

We recommended that the Parking Authority of Baltimore City (PABC) reconcile parking revenue reported in the Daily Deposit Reports to revenue recorded in the City's accounting records on a monthly basis, and that errors be corrected in a timely manner.

### **Follow-up Results**

The PABC has adequately addressed this finding. The PABC has established written policies and procedures, upgraded parking garage equipment, and purchased software systems to enhance revenue analyses. We have concluded, based on our testing of the PABC's monthly reconciliation, that a uniform system is now in place.

### **Finding #2**

**The use of no-charge miscellaneous tickets was not monitored by the PABC.**

We recommended that the PABC review the quantity of miscellaneous tickets processed for reasonableness. Fluctuations from the numbers of expected miscellaneous tickets processed each month should be investigated. Justification for classifying tickets as miscellaneous should be reviewed and categorized.

### **Follow-up Results**

The PABC has adequately addressed this audit finding at eight of the fourteen garages, and improvements at the remaining six garages will be completed by December 2004. We have concluded, based on our testing of the revenue collection system, that the PABC has implemented technology improvements and computer software enhancements to monitor the miscellaneous ticket data. The PABC now investigates fluctuations in miscellaneous tickets when variances exceed standards.

The PABC has significantly decreased the number of no-charge miscellaneous tickets since our audit. For the two garages that we re-tested as part of our follow-up, we compared the number of

miscellaneous tickets issued during a two-week period in our original review to the number of tickets issued in a recent two-week period. For the periods tested, the follow-up test results indicate that miscellaneous tickets were now 3.8% of total tickets, compared to the original 21.6%, at the Lexington Garage, and were now 2.8%, compared to the original 53.3% at the Franklin Garage. With the decrease in no-charge miscellaneous tickets, revenue at these two garages increased a combined annual total of approximately \$185,000.

Although the PABC has implemented policies and procedures to monitor miscellaneous tickets, these policies and procedures have not been formalized in writing. We recommend that the PABC establish written policies and procedures to document its monitoring of miscellaneous tickets.

### **Finding #3**

**The PABC did not adequately monitor the accounting procedures and records of the garage operators.**

We recommended that the PABC obtain listings of monthly parking customers from the garage operators and use them to verify the deposit amounts for monthly parking fees. We also recommended that deposits of monthly parking fees be recorded separately from daily fees in order to facilitate the reconciliation process.

We further recommended that the PABC analyze parking data to compare actual results of each garage to projected revenue expectations. Reasons for poor revenue performance should be determined and addressed.

We recommended that site monitoring be enhanced to include review and testing of accounting procedures and records of the garage operators. For example, testing could include steps such as accounting for all the tickets processed and money collected at the time of the site visit and subsequently tracing collections to the City's accounting records and Daily Deposit Report. Any discrepancies should be investigated.

Lastly, we recommended that revenue reports from the automated system be required from each of the garages. Accordingly, these revenue reports should be reconciled to the Daily Deposit Reports. Differences should be accounted for and corrected.

### **Follow-up Results**

The PABC has adequately addressed this audit finding at eight of its fourteen garages, and improvements at the remaining six garages will be completed by December 2004. We have concluded, based on our testing of the revenue collection system, that the PABC has obtained listings of monthly customers, and implemented computer enhancements and policies and procedures to monitor monthly parking revenue. The PABC is now collecting monthly parking revenue instead of the operators. The PABC has purchased a software package with billing and accounts receivable capabilities. The PABC also established a separate account number to record monthly parking revenue, and it now analyzes monthly collections, compares budgeted

revenue to actual revenue for both hourly and monthly parking, and reconciles these amounts to the operators' report. With the PABC's implementation of the above-mentioned procedures and improvements, monthly parking fee revenue at the Lexington and Franklin Garages increased a combined annual total of approximately \$295,000.

**Finding #4**

**The PABC did not approve subcontractor service agreements in writing prior to their execution. Subcontracts for providing maintenance service on parking control equipment at the three garages, as well as one garage's contract for security services, did not contain the agreed-upon fee for services.**

We recommended that the PABC approve all subcontract agreements in writing prior to their execution and ensure that all subcontract agreements contain the agreed-upon price for services.

**Follow-up Results**

The PABC has adequately addressed this audit finding by changing its policy towards operator-subcontractor service agreements. The two garages that we tested no longer allow operator-subcontractor service agreements for security guards, elevator maintenance and entrance gate maintenance. The PABC enhanced lighting and added cameras to eliminate the need for security guards at the garage. The PABC has installed three new machines at the garages: (1) *Ticket Dispenser* machine, for ticket issuance when entering the garage, (2) *Pay on Foot* machine, for the payment of the parking fee using the same ticket, and (3) *Exit Verifier* machine, where the customer turns in the paid ticket to exit the garage. Operators no longer issue tickets or handle collections from the customers. The PABC, instead of the operators, manages these new equipment contracts and the elevator maintenance contracts. The PABC has reduced the operators' management fees and maintenance budgets as a result of these changes.

**The Parking Authority  
of Baltimore City, Inc.'s  
Response to  
Performance Audit  
Follow-up Review**



**PARKING**  
FOR BALTIMORE CITY  
**AUTHORITY**

April 13, 2004

Ms. Yovonda D. Brooks, CPA  
City Auditor  
Room 321, City Hall  
Baltimore, Maryland 21202

Dear Ms. Brooks:

This letter is in response to the follow up audit conducted on the City-owned garages managed by the Parking Authority of Baltimore City (PABC).

**Finding #1-**

Parking revenue reported in the Daily Deposit Reports was not reconciled to revenue recorded in the City of Baltimore's accounting records.

We concur with the results the Audit team found. And will continue to develop mechanisms to enhance the reporting and reconciliation process. We are looking at further automation of data retrieval to decrease turnaround times for processing of corrections in the City of Baltimore Financial System.

**Finding #2**

The use of no-charge miscellaneous tickets was not monitored by the PABC.

We concur with the results the Audit team found. The PABC has set a goal of getting the no-charge miscellaneous tickets down the industry standard of 1%. The new equipment along with tighter cash controls implemented by the PABC has significantly reduced the percentage in all the garages and will continue to improve once the new equipment is installed in the remaining garages. The development of additional policies and procedures is an ongoing effort within PABC Financial Office. We will address the policies and procedures relating to facility audits in coordination with the Operations Staff within the next few weeks.

**Finding #3**

PABC did not adequately monitor the accounting procedures and records of the garage operators.

We concur with the results the Audit team found. Since coming to the PABC a little over 1 ½ years ago the Executive Director has installed new software and changed the role

PABC employees to be more hands-on with the operations. The PABC has taken control of the account receivables of the garages which produces accountability for both the PABC and the operators. The computer system now turns off cards for non-payment and does not allow for manipulation of the system. All cards have to be accounted for and this system handles this responsibility.

We have also developed an on-line reporting web page for the daily revenue. This must tie back to the revenue equipment reports and the deposit slips the operator produces. Facility audits now include the actual reconciliation of tickets to the daily cash summary reports that are submitted by the operators. We are also in the process of purchasing a new set of management reports on the Scheidt & Bachmann system. This will provide us with another method of monitoring revenue.

**Finding #4**

The PABC did not approve subcontractor service agreements in writing prior to their execution. Subcontracts for providing maintenance service on parking control equipment at the three garages, as well as the one garage's contract for security service, did not contain the agreed-upon fee for services.

We concur with results the Audit team found. The Parking Authority will no longer approve payment of subcontractor service agreements with prior approval in writing by the PABC. Operators will be notified that unless it is a documented emergency, all service agreements must have prior approval by the PABC in order to be reimbursed by PABC.. With the improvements to the garages such as CCTV, securing pedestrian doors and automating the garages we were able to reduce many expensive services. Security being the main service reduced. Other service contract fees, such as elevator maintenance, were able to be reduced by offering a contractor a portfolio of garages instead of a single garage.

In closing, the PABC has taken great strides to improve the overall operations of the parking facilities the City owns. The revenue has increased by \$2,000,000 without raising rates at the facilities. As we continue to implement stronger operational and financial controls, we anticipate a total revitalization of the City of Baltimore's parking garages. We expect to finish with the equipment conversion for the remaining 6 garages by December 2004.

I hope we have addressed the concerns of your team. If you require additional information, I can be reached at (443) 573-2800 or via e-mail at [jeff.sparrow@baltimorecity.gov](mailto:jeff.sparrow@baltimorecity.gov).

Respectfully,

Jeff Sparrow  
Executive Director